

OECD – GIZ Conference: Closing the gap for water in line with SDG ambitions: the role of blended finance

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“Blended Finance: Walking the Talk”

- Alex Money

One of the luxuries of working in academia is that you can spend lots of your time thinking. Surprisingly few professions are as explicitly supportive of this activity. It certainly came as a shock to me when, after a 15-year career in industry, I first discovered that I could spend a day scribbling on a whiteboard in Oxford, without anyone challenging me as to why I was wasting taxpayers’ money.

Of course, I eventually realised that to progress, academics are expected to deliver outputs such as papers in good journals - publish or perish, as the mantra goes. But for many research academics, publishing articles is a necessary but insufficient criterion for success. It is equally important to engage decision makers from policy, enterprise, finance, advocacy and civil society. These are busy people who don’t generally have time to wade through papers in academic journals. But without their involvement, not much will happen.

I am therefore very glad to be involved with the [Roundtable on Financing Water Infrastructure](#), established by the OECD, World Water Council (WWC) and Netherlands government, which is a multi-stakeholder platform for engagement. In addition, I have had the opportunity to work with the WWC’s Taskforce on Financing Water Infrastructure to develop a short paper on [hybridity and blended finance](#), which was published recently. The paper acknowledges the very real difficulties that low returns and high risks present for improving the bankability of water infrastructure projects. However, it also proposes that changes in how private corporations engage with the challenge of inadequate water infrastructure, coupled with recent financial innovations, could contribute to improved project returns and reduced risks.

The paper considers some of the reasons why so many projects in the water sector are considered unbankable, particularly in comparison to other infrastructure assets. It proposes framework of ‘hybridity’ – defined as a synthesis of long-established practices of infrastructure finance with new and innovative approaches – that integrates six elements. First, it considers the uniquely powerful role that private corporations occupy in getting water infrastructure financed, simply by acting out of rational self-interest. Second, it examines the new and expanding roles that investors have in financing water infrastructure that generates economic, social and environmental impact alongside a financial return. Third, it considers the innovations in blended finance that are the substance of this OECD-GIZ conference. Fourth, it develops the argument that water

infrastructure projects can be combined within a diversified portfolio to provide a blend of economic, financial, social and environmental returns. Fifth, it explores how both financial and non-financial returns on a water infrastructure portfolio can be generated, combined, optimised, managed, monitored and disclosed to meet investor expectations. Finally, it discusses the mechanisms necessary to ensure the sustainability and resilience of this model, including tariffs, taxes and transfers.

Following the paper's launch at Stockholm Water Week 2018, the question I was most often asked was: "Yes, but does it actually work?" That's a great question. What this sector needs more than anything else right now is empirical evidence. Actually, whether or not something 'works' is less important than whether we can learn the reasons why. And no framework can provide those answers without implementation and application. At the University of Oxford, I am part of [the Smith School of Enterprise and the Environment](#). We're very focused on developing testable hypotheses – and then going out and testing them. We generally work with partners from enterprise, development, finance and civil society.

I'm therefore delighted to be participating in the conference session on Blended Finance in the water sector – lessons from case studies, taking place in the morning of Thursday October 4th. I will be trying to 'walk the talk' – and there will be plenty of time for questions. See you in Eschborn!

Alex Money is the director of Innovative Infrastructure Investment Programme at the Oxford Smith School of Enterprise and the Environment.

Please visit the [conference website](#) for more information